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DE RUEHTO #0828/01 2411432

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R 281432Z AUG 08

FM AMEMBASSY MAPUTO

TO RUEHC/SECSTATE WASHDC 9273

INFO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY

RUEHLO/AMEMBASSY LONDON 0221

UNCLAS SECTION 01 OF 02 MAPUTO 000828

SENSITIVE

SIPDIS

DEPT FOR AF/FO, AF/S

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [OTRA](#) [OVIP](#) [ECON](#) [ETRD](#) [EINV](#) [KPKO](#) [EAID](#)

MZ

SUBJECT: SCENESETTER FOR A/S FRAZER'S VISIT TO MOZAMBIQUE,
SEPTEMBER 5-6, 2008

Summary and Introduction

¶1. (SBU) The Embassy warmly welcomes you to Mozambique, widely considered to be an exemplary post-conflict democratic success story in Africa. Following the 2007 visits of First Lady Laura Bush, MCC CEO Ambassador John Danilovich, and HHS Secretary Mike Leavitt, your presence in Mozambique will further accentuate the upswing in bilateral relations. This trip will raise awareness of our role as the largest bilateral donor to Mozambique, one of only two countries in the world benefiting from President Bush's three major initiatives--the Millennium Challenge Corporation (MCC), the President's Emergency Plan for AIDS Relief (PEPFAR), and the President's Malaria Initiative (PMI). The visit will also provide the opportunity to further USG interest in addressing regional challenges, including Zimbabwe, consolidating democracy and good governance, and encouraging Mozambique to participate in regional peacekeeping operations.

A Post-Conflict Success Story

¶2. (U) Since the signing of the 1992 Rome Peace Accord, which ended sixteen years of civil war, Mozambique has made significant progress as a young democracy and is rightfully considered a post-conflict success story. The Frelimo party led the independence struggle and has maintained political power since Portuguese colonial rule ended in 1975. Frelimo's military opponent during the subsequent civil war, Renamo, has been the main opposition party since the first elections in 1994. In December 2004 Mozambique held its third presidential and legislative elections. Armando Guebuza won the presidency by a wide margin, defeating Renamo leader Afonso Dhlakama (who also ran unsuccessfully in 1994 and 1999).

A Democratic Example, But Still Fragile

¶3. (SBU) Voter turnout in the December 2004 presidential and legislative elections was approximately 45 percent, down substantially from the 75 percent turnout in 1999. Although slightly fewer Frelimo voters cast their ballots than did so in 1999, about half of the Renamo supporters did not vote. Some analysts suggest Renamo supporters may have felt cheated in the very close 1999 election and cynically saw little point in participating. International observer groups monitored the elections and indicated that the elections were carried out in a generally successful and peaceful manner but noted there were irregularities in the administration of the elections. All agreed, nonetheless, that final results broadly reflected the will of voters.

¶4. (SBU) In the December 2004 legislative election, Frelimo

won 160 out of 250 seats in the National Assembly) just seven short of a two-thirds majority. Renamo won 84 seats and an allied coalition of small parties took the remaining six. Since 2005 several of these small parties have distanced themselves from Renamo. Renamo's unexpectedly poor showing has led to disarray within the party and Dhlakama's leadership has been called into question. This has weakened any organized opposition to Frelimo, now in power for more than thirty years. In November, local elections will be held in all 43 municipalities, and in 2009, the country will hold its fourth national elections. The municipal elections in particular should provide a good opportunity to assess the viability of Renamo as an effective opposition.

Responsible Economic Stewardship

15. (U) Since the mid 1980s, the government has broadly followed IMF and World Bank guidelines on economic issues. Mozambique's macroeconomic reforms and success in attracting large investment projects have resulted in an average annual GDP growth rate of eight percent from 1994-2007, the highest in Africa over this time period. This growth is from a very low base however, as per capita GDP for 2008 registered around USD 375. Foreign direct investment, exports, and revenue collection all have increased significantly. U.S. investment in Mozambique has grown steadily, and in 2007 the U.S. was the largest foreign direct investor. Most of the state companies have been privatized, with only about one dozen remaining in government hands.

Aid Community Voicing Concerns; USG Largest Donor

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16. (U) The government receives approximately 50% of its budget directly from foreign aid, and this trend is expected to continue despite recent complaints by European donors about the state of democracy, particularly governance and corruption issues. As the line between Frelimo and the government continues to blur, the group of donor nations expressed concern in 2008 that many democracy indicators have not been met. As a result, Sweden, Switzerland, and Denmark recently announced a restructuring of their foreign assistance which appears to reduce the amount of aid provided to Mozambique. The USG is the largest single donor to the GRM with USD 325 million. In particular, our USD 216 million in PEPFAR funds in 2008 total more than the HIV/AIDS funds committed by all other donors and the Mozambican government combined. Although the USG does not provide direct budget support, we have forgiven all of Mozambique's USD 151 million debt as part of Mozambique's Highly Indebted Poor Countries relief initiative.

PEPFAR, MCC, PMI: A Unique Mix

17. (SBU) Mozambique is one of only two countries in the world to receive combined PEPFAR, MCC and PMI support from the USG. In 2007, MCC CEO John Danilovich and Mozambican President Guebuza signed a five-year, \$507 million Compact that will reduce poverty through increased incomes and employment by improving water systems, sanitation, roads, land tenure, and agriculture, with a focus on the country's four northern provinces. Despite some frustration about the lengthy negotiation and implementation process, in July the MCC program began advertising tenders to bidders for several of its projects.

Zimbabwe

18. (SBU) The GRM has been hesitant to criticize other African governments over human rights violations and has historically abstained from voting on any such resolutions.

GRM officials have stated publicly that Mozambique, instead of criticizing actions, prefers to focus on what can be done to address such issues within the regional institutions (e.g., the AU and SADC). Despite numerous high-level meetings encouraging the Mozambicans to engage on Zimbabwe, the Mozambican government has been hesitant to follow the lead of Botswana and Zambia, due to the close historical ties between the countries.

Peacekeeping Operations

¶9. (SBU) Mozambique's armed forces (FADM) have benefited from substantial USG military training and assistance, especially through the African Contingency Operations and Training Assistance (ACOTA) program. The FADM successfully participated in the African Union's 2005 peacekeeping operations in Burundi, and has publicly recognized its interest in a higher-profile contribution to peacekeeping operations in Sudan. The Embassy is working to assist FADM in further developing its peacekeeping capacity, and we look forward to supporting the GRM's eventual contribution to regional operations.

Conclusion: Bilateral Relations on the Upswing

¶10. (U) This is the first Assistant Secretary for African Affairs to visit Mozambique in three and a half years, and follows on the heels of several high-level USG visits in 2007. This year, the PEPFAR program was renewed for an additional five years, the MCC has begun advertising for its initial implementation of projects, and an agreement to purchase land for the New Embassy Compound was completed. Together these events highlight our ever stronger bilateral relationship and emphasize the United States' leading role in Mozambique's development in democracy, health, and prosperity.

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